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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07
EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 LAB-04 EPG-02 SIL-01
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TO SECSTATE WASHDC 9536
DEPARTMENT TREASURY
INFO AMEMBASSY PARIS
AMEMBASSY BRUSSELS

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USOECD, USEEC

E.O. 11652: N/A
TAGS: ECON, EFIN, GW
SUBJECT: FINANCE MINISTRY STATE SECRETARY LAHNSTEIN ON
U.S. PRESSURE FOR MORE GERMAN ECONOMIC
EXPANSION AND U.S. CURRENT ACCOUNT DEFICIT

1. IN AN INTERVIEW PUBLISHED IN TODAY'S HANDELSBLATT UNDER THE HEADLINE "U.S. DEMANDS NOT JUSTIFIED" STATE SECRETARY LAHNSTEIN SAID THAT HE WAS QUITE SURE THAT THE FEDERAL REPUBLIC'S GROWTH TARGET FOR THIS YEAR OF REAL GNP GROWTH OF 4.5 - 5 PERCENT COULD BE REACHED. WITHOUT DISAGREEING WITH RECENT STATEMENTS BY MINISTER OF ECONOMICS FRIDERICHS THAT, IF NECESSARY, THE FEDERAL REPUBLIC WOULD TAKE ADDITIONAL EXPANSIONARY MEASURES, LAHNSTEIN STRESSES THAT IN HIS OPINION THIS NECESSITY WOULD NOT ARISE.

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2. LAHNSTEIN ALSO FOUND THE ARGUMENT TO BE WEAK THAT THE U.S. THROUGH ITS CURRENT ACCOUNT DEFICIT ALREADY WAS MAKING A MAJOR CONTRIBUTION TO WORLD ECONOMIC RECOVERY. INSTEAD, HE ARGUED THAT U.S. CURRENT ACCOUNT DEFICIT WAS MAINLY DUE TO OIL IMPORTS FROM THE OPEC COUNTRIES AND IMPORTS OF COLORED TELEVISION SETS AND AUTOMOBILES FROM ASIATIC COUNTRIES -- MAINLY JAPAN.

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IN ADDITION, HE SAID, THERE WAS A DANGER THAT IF THE U.S. DEFICITS CONTINUED OVER AN EXTENDED TIME SPAN, TOO MUCH ADDITIONAL LIQUIDITY WOULD BE PUMPED INTO THE WORLD ECONOMY.

3. COMMENT: STATE SECRETARY LAHNSTEIN HAS ALREADY LEFT FOR HIS U.S.-CANADIAN VACATION (BONN 10462), BUT HIS OFFICE HAS CONFIRMED THE ACCURACY OF THE HANDELSBLATT REPORT TO US. WE ARE TOLD THAT LAHNSTEIN GAVE THE INTERVIEW BECAUSE HE FELT THAT A COUNTER TO THE PRESS REPORTS ON SECRETARY BLUMENTHAL'S STATEMENT AT THE OECD MINISTERIAL MEETING WAS IN ORDER AND THAT LAHNSTEIN EXPECTS THIS TOPIC TO COME UP DURING HIS MEETING WITH UNDER SECRETARY SOLOMON IN WASHINGTON. THE ARGUMENTATION REGARDING THE U.S. DEFICIT HAS ALSO APPEARED IN A NUMBER OF OTHER GERMAN PRESS STORIES AND HAS BECOME AN ALMOST STANDARD ARGUMENT IN CONVERSATION WITH GERMAN ECONOMIC OFFICIALS.
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Disposition Approved on Date:
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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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